

High Knob Utilities, Inc.

Meeting Minutes for November 9, 2004

Call to Order: Keith Arnett called the monthly meeting of the High Knob Utilities, Inc (HKUI) Board to order at 7:05 p.m. HKUI Board members in attendance were Keith Arnett, Bob Brown, Jem Anderson, and Josh Douglas. Jerry Soucy presented a letter to the Board, requesting written notice of and agendas and other materials for all HKUI Board meetings in accordance with the Virginia Freedom of Information Act. Keith Arnett noted that, because HKUI does not use Sanitary District funds, it is not bound by FOIA requirements. He then answered a few clarifying questions from Mr. Soucy.

Previous Minutes: The Board reviewed and approved minutes for both the 2004 Annual Meeting and the October Meeting, as presented.

Treasurer's Report: Bob Brown reported total revenue of \$230,560 as of October 31st, including three new tap fees and over \$52,000 in customer billings. Operating expenses increased nearly \$7,600, half of which was materials and supplies, and completion and acceptance of water project elements added \$117,000 to the Capital Projects account. Deposits into the Greater Atlantic Bank account totaled \$114,339.38 and expenditures totaled \$137,894.06, leaving a balance of \$14,643.07 as of October 31st. HKUI owes \$787,819 on the Virginia state loan, and anticipates receipt of \$55,204 (the unusually high total is due to late delivery of billings).

Operations Committee Report: The Joint Operations Committee met on October 26th. Among the items discussed were HKUI paving obligations (the Committee decided to deduct paving fees from the water capitalization funds HKOAI will transfer to HKUI), the method to be used to account for water capitalization fees, and raising the tap fee (Dan Althouse indicated HKUI could do so, but a justifying letter would be needed as part of the petition to the State Corporation Commission). The Operations Committee also agreed to allow Jerry Pomeroy to purchase parts for the water project and Keith Arnett agreed to send a letter to a homeowner on Pocahontas regarding a non-confirming plastic water line (the line runs from the meter to the house, and HKUI has connected service temporarily). Finally, the Committee discussed the status of the HKUI/HKOAI truck (HKOAI maintains the truck on its list of assets, but HKUI purchased the vehicle). Due to recent increases in maintenance costs, it may be prudent to purchase a new vehicle.

Water Manager's Report: Dan Althouse reported that water production averaged 44,800 gallons per day, and that the system is configured to maximize use of springs (and minimize use of electricity). Further, Butler Well One is off line due to construction at the reservoir. The HKUI crew installed eight new taps, located five small leaks at taps or on private property, and completed quarterly readings and billings.

Since the last manager's report, water lines along Greenfield, High Knob Road, Red Bud, Pocahontas, and Honeysuckle have been completed. Red Bud proved difficult due to previous use of small lines, installed in a zig-zag, and without an air bleed. Pocahontas and Honeysuckle also suffered from small lines, of inconsistent quality; seeding and some cleanup (culverts, ditching, removal of excess materials) remains.

The Butler Reservoir structure is complete with a capacity of 37,000 gallons (the original design was for 30,000), and work continues on plumbing connections and electrical work. The first coat of lining material is installed, and it should be ready for inspection in two weeks. Butler is now the core of the water system, and the old tank should be taken off line as soon as possible (it leaks, and with only a two-inch outflow, it's too small to support much demand). The old tank could probably be fixed and returned to the water system next year.

Spring Reservoir is off line, and will require testing to determine whether it can be brought back into the system. The water currently in the reservoir could be pumped into the rest of the system (after treatment) if results from quality testing are acceptable.

Also, the Salt Lick Well connections have been repaired and a new enclosure is under construction to house automatic valves for the SCADA system.

The control panel for the Mountain Top pressure system has been delivered. Once it is installed, the system can be completed (including installation of a second pump at Alpine) and brought on line. The panel should be installed by the end of the week.

Nine units of the SCADA system have been installed; one repeater (on Mountain Top Road) and the Club House antenna remain to be installed. The instrumentation must be installed at all reservoirs in order to make the system functional, and Dan Althouse hopes to have Synchrony on the mountain for start-up work by the end of November.

Dan Althouse has turned scheduling of remaining water project work over to Jerry Pomeroy. All water line installation is complete, except that on Chestnut Trail. The work on Chestnut replaces a line which is in good condition, though somewhat undersized, and could be completed fairly quickly if weather permits. All materials are on-hand, and the labor to complete the installation is currently budgeted for 2005. Other project elements that need to be finished are installation of the second pump at Alpine, replacement of the connection from Salt Lick Springs to Alpine, and installation of raw taps for springs.

Maintenance work remaining includes service or repair and core drilling for four old reservoirs (started already, including the old portion of Paved Road Reservoir, Alpine, and Mountain Top), winterizing the system (40% complete), flushing all the mains, installing replacement and clean chlorination equipment, installing bypasses and taps on springs. Further, project documentation and inspection work needs to be completed, as does the end-of-year capitalization assessment, organization of files (system plans and prints, manuals, SCADA, operating instructions, loan documents, etc.).

Since the last report, two draws have been made against the State Loan. The first totaled \$109,342.92 and was used for the final payment to E.C. Pace, water line work on Red Bud, work on Butler Reservoir, and a payment to Bushman for engineering services. The second, totaling \$57,448.70, paid for work on Butler Reservoir, water line work on Red Bud, High Knob, Greenfield, and Honeysuckle, and engineering services from Bushman. These bring total expenditures to \$845,267.94, leaving \$49,828.06 available for use. At least some of these funds will be drawn (the final draw for the project) for Pocahontas and Chestnut, but we will probably not need all the money allocated for engineering and legal services. While the Butler Reservoir work will overrun the planned budget due to increases in costs for steel and other materials, there should be adequate funds available to cover the difference.

Unfinished Business: The pump obtained for 115 Alpine has been returned to the vendor, but the HKUI/HKOAI ad hoc committee has not met as yet to review HKUI's bylaws. There will be a hearing tomorrow before the magistrate regarding a recent instance of poor behavior directed at High Knob staff.

In addition, Kim Renz reported that adding credit cards as a means of payment would result in costs of about 1.6% if we obtained a credit card machine (plus \$300-500 for the machine itself) or about 2.1% if we don't use a machine. Either way, we'd also pay about \$10 per month in fees until we reach \$5,000. The Board chose to defer a decision on accepting credit cards until HKUI could gauge customer interest—there will be a short statement in the newsletter—in credit card payments and in various methods/plans (quarterly auto-bill, point-of-sale, monthly budget, etc.).

New Business: HKUI will hold a working meeting to develop a proposed 2005 budget. Josh Douglas suggested that Keith Arnett, Bob Brown, and Dan Althouse should meet first to develop an initial proposal, then bring the full Board (and Mr. Althouse) together to complete the proposal. One key element will be the need to make an "interest only" payment on the State Loan on July 1st and leave reserves sufficient to make a principal and interest payment (of approximately \$30,765) on January 1st, 2006. The working meeting will be scheduled later, via email, and held in the Office (or, if there is enough homeowner interest, in the Clubhouse).

Executive Session: The Board met briefly in executive session to address personnel matters. No votes were taken by the Board.

Question and Comment Period: There were no additional questions.

The November meeting of the HKUI Board adjourned at 8:15 p.m. The next meeting is scheduled for 8:00 a.m. on December 11th, and the Operations Committee meeting will be scheduled after the HKUI working meeting.

JEM P. ANDERSON
HKUI Board Secretary